American Corn Growers Association

P.O. Box 18157 • Washington, DC 20036 • 202-835-0330 • Fax: 202-463-0862

TESTIMONY PRESENTED BY THE AMERICAN CORN GROWERS ASSOCIATION ON

THE FAMILY FARM AGRICULTURE RECOVERY AND MAINTENANCE ACT

THE FAMILY F.A.R.M. ACT

A Program to Restore and Maintain Prosperity
On America's Family Farms and Ranches

PRESENTED TO THE HOUSE AGRICULTURE COMMITTEE
APRIL 25, 2001

BY

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Chairman Combest, Ranking Member Stenholm, and members of the House Agriculture Committee, I am Keith Dittrich, President of the American Corn Growers Association. On behalf of the 14,000 members of the American Corn Growers Association, I would like to present our comprehensive farm bill proposal to the committee.

Our broad-based comprehensive proposal, titled The Family Farm Agriculture Recovery and Maintenance Act (The Family F.A.R.M. Act) is much more than a commodity specific farm bill proposal. It is a long-term plan designed to benefit a broad spectrum of agriculture. It has been developed over the past 18 months through a process of detailed historical analysis of past farm programs, and through grassroots consensus building among a number of farm organizations around the country. Since September of 2000, it has also been in the legislative drafting process. Additionally, ACGA has spent tens of thousands of dollars on economic analysis.

We are disappointed that we were not allowed to testify today on our proposal. As the Chairman is aware of, we have requested the opportunity to testify as one of the voices for the corn industry. The corn industry is not unanimously represented by one farm organization. Though we have tried to reach consensus with the National Corn Growers Association, that has not been possible. We have requested a meeting with the NCGA to find common ground wherever possible. A copy of our letter to them requesting such a meeting is attached to this testimony. Unfortunately, their staff or leadership was not able to find the time to meet with us.

Therefore, it is clear that no consensus has been reached in the corn industry, and the NCGA is not the only voice for corn farmers.

In addition, as mentioned, the Family F.A.R.M Act is much more than a corn proposal. We have always attempted to represent the interests of not only corn farmers, but also all those in agriculture. We recognize that feed grain policy has a huge impact on all commodity prices, and also directly impacts the dairy and livestock industries. We believe that all family farmers must work together to find a farm policy that restores prosperity to farmers and ranchers of all types. We believe we must all hang together, or we will all hang separately. I would like to commend the Chairman for his original mission in this endeavor to reach a consensus among the various sectors of production agriculture. I only wish such a noble goal could have been reached prior to today's hearing on corn.

Our proposal is also one of the most detailed of any to be presented to the committee. In consideration of these factors, we believe we should be allowed to testify at a future date with other general farm organizations. We believe we have earned that right, and we formally request that opportunity at this time.

That being said, I would like to explain the background, development, and outline of our farm bill proposal.

I will not include an analysis of the federal budget cost, impact on all commodities, and it's effect on U.S. trade agreements today. Since we were denied the opportunity to formally testify today, we have decided to continue with the scoring and computer simulation process. We can then determine the most specific recommendations possible, to both reduce federal budget

outlays, and increase farm income. By continuing with this process, we are able to use stochastic modeling, which will inject historical annual variability in yields, exports, usage, etc. into the simulation. We believe this will provide a more accurate projection of the impacts of our proposal.

The scoring and analysis of The Family F.A.R.M. Act is being done by the Agricultural Policy Analysis Center at the University of Tennessee utilizing the Policy Analysis System (POLYSYS).

My testimony will cover three main areas:

1. A brief background of the development process used for our farm bill proposal, and the original goals we had when we started that process.
2. A summary of what has happened to farmers over the past 25 years in the areas of farm prices, farm programs, farm income, agricultural trade, domestic use, total use, and crop surpluses. I will refer to attached tables called "Key Indicators of the U.S. Farm Sector, A 25 Year History with Inflation Adjustments". These recently updated tables are a basis for much of the justification for our farm bill proposal.
3. An overview and explanation of the main points of The Family F.A.R.M. Act. A copy of the proposal is also attached.

DEVELOPMENT PROCESS AND ORIGINAL GOALS

In the late summer of 1999, we saw that it was becoming more and more obvious that the Freedom to Farm legislation was failing on almost every front, just as the American Corn Growers, National Farmers Union, and many others had predicted in 1995 and 1996. We predicted this failure, because we understood that production agriculture was a fundamentally unique business worldwide, that would not react as Freedom to Farm Supporters had planned.

Farm prices had collapsed as we predicted, and government costs were skyrocketing. In spite of extremely low prices, export volume was stagnant, and foreign production continued to increase. We knew that farm policy needed to change in order to bring agriculture and rural America out of it's ever deepening depression.

Therefore, we perceived the need to provide positive alternatives to current policy as soon as possible. We knew that the process of change in farm legislation would be long, slow, arduous, and confusing. We hoped that improvements in farm policy could be made before 2002. But knew that even if a new farm bill was not debated and passed until 2002, we couldn't wait until then to develop specific solutions, and consensus. Therefore, in the late summer of 1999 we began the process of developing a comprehensive farm bill proposal.

We had five main goals when we started our farm bill development process. These were:

1. Compile factual data to illustrate what has happened to farmers financially over the past two decades, and to discount some myths about farm programs and agricultural trade.

2. Determine what levels of farm commodity prices and/or incomes are required to improve the rural economy, and develop a logical justification and process for achieving these price and income levels.

3. Construct a detailed as possible farm bill proposal that achieved necessary price and income levels. Follow the long held policy positions of the American Corn Growers Association and our friends in National Farmers Union and other like-minded organizations. But also, as much as possible, address the criticisms of past farm programs voiced by those who have historically not held our policy positions. Appeal to as many interests as possible, including consumers.

4. Make contact with, gain input from, and build consensus with, as many of our friends in other farm organizations as possible. Make contact with, and build the interest of, key individuals in legislative, leadership, and academic positions.

5. Through the combination of these efforts, enact federal legislation that made large improvements in farm and food policy hopefully by 2001, and definitely by 2002. But also be prepared and determined to fight until 2005 to make further improvements if necessary, because we knew the powerful agribusiness interests who have helped destroy farm programs over the last 15 years were very strong.

The first and second goals resulted in the development of the previously referred to tables called "Key Indicators of the U.S. Farm Sector, A 25 year History with Inflation Adjustments". We compiled these tables in August and September of 1999 for ACGA and Nebraska Farmers Union. They were first used by Ranking Member Stenholm in September of 1999, and have been widely used around the country in a number of forums for over a year. These tables were updated in December of 2000, based on new USDA figures at that time. Neither USDA nor any other farm organization has ever compiled such data.

The specifics of the farm bill proposal were then developed in conjunction with Nebraska Farmers Union. But we also reached out to a number of other organizations and individuals during that process. We also continually tried to design the program to appeal to some of the critics of past farm programs, particularly in the areas of flexibility, and supply management.

Our proposal is much different than current farm policy. But while using some of the proven tools of past farm programs, it is also much different than any past farm policy.

KEY INDICATORS OF THE U.S. FARM SECTOR

We believe that in order to develop good farm policy we must have an understanding of what has happened in the past. For comparison, on my farm, I have a good idea of what my average yields will be, based on past experience. I know that I cannot expect dramatically higher yields than my past averages, and therefore I should base my economic and production plans accordingly. And also based on past experience, I have a good idea of what production practices worked, which ones didn't work, and what potential problems I might face each year. Farm policy has its similarities.

The attached tables cover 12 very important and interconnected statistics that relate to farm prices, farm programs, agricultural exports, domestic and total use, crop surpluses, and farm income. These figures cover 25 years, and are based on recent and historical statistics from the Economic Research Service and Farm Service Agency at USDA. Inflation figures are from the Bureau of Labor Statistics, which calculates Consumer Price Index (CPI) data.

The data in these tables go right to the heart of the farm policy debate. I urge all Committee members to examine them carefully. Many of the conventional wisdom statements we in agriculture have heard over the years are simply not true. Many other things we have suspected to be true, we haven't seen quantified. For example, the eroding effects of inflation on farm prices and income or price supports.

All five major storable commodities (Corn, Wheat, Soybeans, Cotton, and Rice) are covered in the tables, and all five show very similar trends. I would like to refer to some of the most important observations apparent from the data in the Key Indicators tables, such as:

1. Real, inflation adjusted CCC price support loan rates have dropped dramatically over the past 25 years, and real farm prices have dropped in a similar manner. Real farm prices are now approximately one third of what they were in during the decade of the 1970's.

2. On average, export volume of all major commodities has been virtually static over the past 25 years, regardless of farm price support policy, trade agreements, or currency valuations. While in December USDA was predicting a sharp increase in corn exports to 2.3 billion bushels this crop year, the most recent USDA estimate had fallen to 2.05 billion bushels, and many trade estimates are down to below 2 billion bushels, right in line with our historical average.

3. Our agricultural trade balance has also been static to declining in nominal terms, and sharply declining in inflation adjusted terms. This indicates that we are not exporting more raw grain commodities in the form of increasing net exports of value added foods or meat.

4. On the other hand our domestic use of commodities has increased steadily over the past 25 years. Virtually all of our growth in total use of crops has come from the domestic market, not the export market.

5. Total use of commodities is now at all time record highs, and did not decline during the Asian Crisis (with the exception of cotton). In spite of this, farm prices have collapsed. It is apparent that increased usage alone is not enough to give farmers profitable farm prices.

6. On a historical basis, ending stocks to use ratios, or surpluses, are now tight to modest. Ending stocks or surpluses have not been high during the five years of the Freedom to Farm Act. In spite of this, farm prices have collapsed. It is interesting to note for the 1999 crop year ending in September of 2000, final actual ending stocks to use ratios for soybeans, cotton and rice dropped dramatically versus projections made a year earlier in August of 1999. Yet farm prices moved up hardly at all. It apparent that in the absence

of other farm policy tools, we will have to run on the razors edge of running out of commodities all the time in order to maintain profitable farm prices. This is an impossible and extremely dangerous task.

7. In spite of increasing yields and government payments, real gross income per acre for basic commodities has dropped 40 to 50 percent over the past 25 years including emergency federal payments. We need to increase gross income per acre on corn about $100 per acre over current levels, just to get back to gross income levels we had during the farm crisis years of the mid-1980's.

8. With emergency AMTA payments included, farmers have received a national average equivalent price of about $2.60/bushel for corn, and $4.00/bushel for wheat for the past 5 years. Yet these equivalent price levels are in reality so low in today's economy, that they have given us our farm depression today. Any mix of income support and/or market price that only achieves these equivalent price levels guarantees a deepening farm depression.

These observations are simply the facts. It is obvious that the farm policy debate must revolve around these realities. We can no longer afford to base national farm policy on misconceptions, and misguided economic theory. We must base future farm policy on market realities, fact, and logic.

So, if this is what has happened, where do we go from here with farm policy? Following is an explanation of the key points about our Family F.A.R.M. Act proposal.

OVERVIEW AND EXPLANATION OF THE BILL

The proposed Findings of Congress, formulas, and outline for our proposal are attached to this testimony. Following is an explanation of the main concepts in the bill.

Summary of the Bill

The overall goal of our bill is give farmers the tools to extract profitable farm prices from the market place, with much less reliance on government payments. We believe the only way to significantly improve the farm economy is to increase the general level of commodity prices. To obtain price, this bill is first a free stocks and inventory management bill. Secondarily, it provides for voluntary production adjustments, only if deemed necessary by the Secretary, and only if endings stocks reach predetermined trigger levels.

We think that only small acreage idling would be required if current commodity usage is maintained. Farmers can voluntarily manage free stocks and inventories through the extended CCC loan, and the farmer owned reserve. And if needed, they can voluntarily affect large surpluses with a flexible acreage idling program.

We are strong supporters of the Renewable Fuels Standard Act now in Congress, as part of a national energy policy. Our members had much to do with this bill. Our bill's Farmer Owned

Reserve can at least partially be used for a strategic energy reserve to help stabilize the resulting growth in the domestic ethanol industry. Our intention is to keep total commodity use as high as possible, through both domestic use and new trade initiatives.

Findings of Congress

The first part of our legislative bill will contain a section called the "Findings of Congress" as detailed in our attached proposal. This is a preamble to a bill, which describes why Congress feels important legislation is necessary. The intent of this section is to define by law why a decentralized, competitive, family farm structure of food production is desirable to society. Also defined will be why the business of farming and food production is unique, and why long-term legislation is necessary to allow family agriculture to prosper, and to protect consumers of the world. We feel that it is very important that Congress debate these things, and get these ideas out in the open for public debate. Our proposed "Findings of Congress" language is one of the most important parts of the Family F.A.R.M. Act, and we urge Committee members to closely review this language in our attached proposal.

To summarize the findings language, we believe several things. We believe that a family farm and ranch structure of food production is desirable to society as a whole, and is also a national security issue for our country. We believe that this structure provides many benefits to society that cannot be measured in pure economic terms. In other countries, these benefits are now called the "multi-functional" benefits of a family farm structure. We also believe in economic justice for rural regions.

We also must recognize that farming is much different than other businesses in three key areas.

- First, farmers have virtually no ability to negotiate price with buyers. This is because millions of farmers sell to a handful of buyers. Most manufacturing and retail businesses sell to a large base of buyers or consumers, and have much more price setting and negotiating power.

- Secondly, farmers as individuals have no control over their output or inventories, due to weather, long production cycles, and all the vagaries of agricultural production.

- Third, consumers must have a stable food supply, because food is a daily necessity, and food shortages are intolerable. California is experiencing chaos due to rolling power shortages. What sort of chaos do you suppose a rolling food shortage would cause, even once in a lifetime?

Finally, the findings say the combination of all these factors requires legislation that gives family agriculture the tools of price negotiation and inventory management, and that protects consumers.

Next, we state what advantages we feel our proposal will provide. These are:

1. Simplicity
2. Planting flexibility.

3. Supply stability and food safety.
4. A market orientation.
5. A level playing field for new agricultural trade negotiations.
6. Reasonable and more predictable government costs.
7. Tools to encourage consumption and maintain market share.
8. Family sized crop production will be encouraged.
9. Family sized livestock production will be encouraged.
10. Market concentration will addressed in a more effective manner.
11. The bill is non-inflationary.

Outline of the Bill

The next part of the attached proposal outlines the basic parts of the bill. We have initially proposed very specific ending stocks and reserve trigger levels, maximum volumes eligible for the loan levels, etc. for analysis. We will finalize those specifics after completing computer simulations.

Price and Income Support

Price and Income support would be provided to crop producers by a new CCC non-recourse discretionary marketing loan structure. We would limit any repayment of the loan below loan price to a minimum of 80 percent of the loan rate. Maximum government exposure in Market Loss Gains would therefore be 20 percent of the loan rate.

The loan structure is a fair, simple, and easily targeted way to support family farmers. It is the best tool to help farmers negotiate price with buyers, and it can also be a vehicle for counter cyclical income to farmers if repayment below loan price is allowed. However, we believe the current Loan Deficiency Payment option associated with the loan is often unfair, is expensive, and is generally price depressing. We would eliminate this option. Under our proposal, a producer would have to put grain or cotton under loan initially to take advantage of the program. If producers were allowed to repay at less than loan rate to avoid forfeitures, they would have to actually market the grain at that time, or feed the commodity. This would promote actual movement of the commodities at the time, if the producer took his/her option to repay below the loan rate. They could no longer speculate on price volatility in an attempt to maximize government payments, while holding unprotected inventories.

An optional 9-month extension of the loan would require buyers to be more competitive and allow farmers another tool to manage free stocks and inventory.

We would target the loan to family farmers by setting a maximum volume eligible for the loan. For scoring simulations, we have initially proposed maximums of 125,000 bushels for corn, 65,000 bushels for wheat, 35,000 bushels for soybeans, 1,000,000 lbs for cotton, and 65,000 cwt. for rice. These limits would apply per family operator (not employees), including spouses and minor children. Partnerships or family farm corporations would get multiple limits consistent with the number of farm operators involved, as just defined.

Agricultural Equity Formula

An "Agricultural Equity Formula" would be used to establish loan rates. Presently, loan rates and AMTA payments are not based on anything. We believe they must be. We would base them on a percentage of what farmers received for gross per acre income during the 1970's after adjusting for inflation and current higher productivity. The 1970's were the last generally prosperous period for farmers and rural America. This formula is a way of returning a very necessary gross income stream not only to farmers, but to the economies of rural communities. The gross income per acre target is a concept that is important, and could also be used if we eventually arrive at a farm program that combines direct payments and higher loan rates. The specific formula mechanism is detailed in the attached proposal.

We would also adjust the loan rates annually to reflect inflation and long term increases in yields. This means farmers would be protected from inflation, but consumers would get the benefit of increasing yields due to technology. If trend-line yield increases matched inflation, loan rates would stay the same. However, if inflation rates exceeded trend-line yield increases, loan rates would slowly rise. We would also initially phase in higher loan rates over several years, much as minimum wage increases are now phased in.

Our legislative draft would set 2001 loan rates at 70 percent (rather than 75 percent) of the 1970's formula, and phase in to 80 percent of the formula over 5 years (rather than 90 percent). Initial loan rates would therefore be about $3.15/bushel for corn. This figure is also very close to the target price of $3.03 farmers had as far back as the mid-1980's, it is very close to USDA's current cost of production estimates, and it is slightly less than the average farm price during 1996, the first year of Freedom to Farm.

Remember, we have been averaging the equivalent of about $2.60/bushel on corn during the Freedom to Farm years. We have received these equivalent prices at full production, and with generally excellent crops across the U.S. Yet agriculture is still in a depression.

Other crop loan rates would be set at the historical price ratios in relation to corn. The Soybean loan rate would then be $7.55/bushel, Wheat would be $4.50/bushel, Cotton would be 80 cents per lb., and Rice would be $10.10 per cwt. These values are less than we originally started at, and we would consider them the minimum prices we need to receive in the absence of direct government payments, in order to restore any prosperity to the family farm economy and rural communities.

Farmer Owned Reserve

A new Farmer Owned Reserve would be established. The reserve is the key tool that allows farmers to manage their inventories and free stocks. If prices are low and free stocks excessive, the market will know that farmers may choose to lock up some of their inventory, and make it unavailable until prices rise. The reserve is a necessary buffer that allows farmers to have high production years without unduly depressing market prices. Acreage idling is then not required after high production years, unless reserve stocks are becoming excessive. At the same time, consumers are assured that if we have a major drought, the U.S. will have reserves that will be made available, though at higher prices. This stability of supply encourages stable growth in

exports, ethanol production, food processing, and livestock production. A portion of the FOR would be dedicated to a Strategic Energy Reserve for the renewable fuels industry.

For scoring simulations, we have proposed the FOR be opened if projected endings stocks to use ratios outside the reserve are greater than 10 percent for corn, 20 percent for wheat, 8 percent for soybeans, 15 percent for cotton, and 15 percent for rice. Maximum reserve levels as a percentage of total use are set at 30 percent for corn, 30 percent for wheat, 10 percent for soybeans, 20 percent for cotton, and 10 percent for rice.

Discretionary Authority for Short-term Acreage Idling

The Secretary shall have the authority to institute a short-term acreage idling program only if ending stocks to use ratios including the reserve reach trigger levels. This authority could be used if any commodity reached trigger levels. We have set initial trigger levels at 15 percent for corn, 20 percent for wheat, 10 percent for soybeans, and 20 percent for Cotton. The Secretary must institute acreage idling if FOR levels are projected to reach maximums in the current marketing year.

We would allow set-asides up to 5 percent to be used in return for eligibility for the base loan rates. We would provide for higher loan rates in exchange for higher set-asides for acreage idling ranging from 6 to 15 percent.

Tillable Crop Acreage

A Tillable Crop Acreage base will be established for each producer. This will consist of all acres normally cropped by a producer. Farmers will have the same planting flexibility they have now on all acres planted to crops covered by the program. If we have an acreage idling program, farmers will choose what to plant on non-idled acres, based on their ideas of the market.

Target Price System for Livestock

A target price and deficiency payment program would be studied for livestock as detailed in the attached proposal. We believe that livestock producers should have some protection under the farm program. The packing industry has become so non-competitive, and unfair imports have become so common, that we believe livestock producers should have some protection from extreme market drops such as the hog industry has experienced. Therefore, we have proposed this concept, to be reviewed by USDA and livestock producers.

A target price system could be structured in a similar manner to the previous target price system established for storable commodities. Eligible production would be limited to a maximum number of cwt. or head, targeted to family sized farms in a manner similar to that used for storable commodities. Payments would be based on the difference between the annually set target price, and the national average market price. Target prices could be tied to feed-grain loan rates.

Market Concentration

Market concentration in the food industry is continuing at an unprecedented pace, and is one of the most serious issues we face in the food industry. We believe that this is a very dangerous situation for both consumers and producers. We believe that this ever-increasing market power is affecting producers and consumers in two ways. In the more obvious way, producers and consumers face an ever-shrinking base of food retailers, commodity buyers and farm input suppliers, limiting their opportunities and food choices in the marketplace. In the less obvious way, the concentrated economic power is affecting the political process, and affecting how we debate national farm and food policy.

We believe that unless new legislation is passed, agribusiness and food retailing mergers will continue to overwhelm the will and resources of the Justice Department and USDA. Therefore, we wish to establish a maximum level of market concentration for the agribusiness and food retailing industries. The established maximum level will be consistent with the economic theory of a level causing market distortions. We suggest that one company hold no more than 15 percent of any food related market. As much as possible, such legislation should be part of a farm bill. However, we are also open to companion legislation outside the farm bill.

There are also a number of other ways where more effective market concentration legislation can be developed. The American Corn Growers recognizes the Organization for Competitive Markets (OCM) as an expert in this field. We have endorsed the OCM's 2001 Statement of Competition Policy. We urge the Agriculture Committee to review this Statement.

While using these suggestions to work towards more effective market concentration legislation, we also call for a two-year suspension of all large agribusiness mergers.

International Trade

Current trade agreements and negotiating positions do not recognize the unique aspects of food production and food trade around the world, as articulated in our proposed "Findings of Congress". South American production continues to rise, in spite of extremely low world commodity prices. As documented by the Key Indicators of the Farm Sector tables, these agreements have been ineffective in protecting farm income, or in increasing exports. And family farmers in other countries are suffering just as we are. However, we believe the established agricultural trade negotiation process could be used to develop an entirely new concept in agricultural trade. Let us use the trade negotiation process to provide for a new system of agricultural trade that reduces trade tensions both within and outside agriculture. And let us develop a system that allows family agriculture to survive in all countries.

We believe that the Secretary of Agriculture should be directed to approach her or his counterparts in other major exporting and importing countries about their interest in the following concepts:

1. A shared system of international food reserves, to be used for food security, humanitarian relief, and an international school lunch program for developing nations.
2. Shared production cuts by food exporting nations when world grain stocks become burdensome, to be enacted in coordination with an international food reserve.

3. The recognition and limiting of world market distortions caused by monopolistic commodity trading and food processing companies.

National Farmers Union of Canada proposed similar initiatives this past fall, and in a presentation in France this past spring, the ACGA was told that the largest farm organization in France had similar views.

Conclusion

We believe that our proposals can be enacted with reasonable government outlays. We believe that a farm bill such as proposed here would halt and begin to reverse the decline in family farm agriculture, for the good of rural America, and for the good of the nation.

As requested at the beginning of our testimony, we hope to present to the Committee our final specifics for the Family F.A.R.M. Act, after final stochastic modeling by the Agricultural Policy Analysis Center.

We hope the Agriculture Committee recognizes that based on the facts, current farm policy is not working. Therefore, we believe it is unreasonable to expect different results in the future, if we do not change direction. We hope that Congress does not continue to heed some of the poor advice it has received in the past, and therefore risk being embarrassed with the next farm bill.

Finally, a wise man once said there are three stages to the adoption of the truth. In the first stage it is ridiculed. In the second stage, it is fought. In the final stage, it adopted as self-evident.

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A Program to Restore and Maintain Prosperity
On America's Family Farms and Ranches

Updated with "Findings of Congress"
December, 2000

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THE CONGRESS FINDS THAT:

1. **Short and long-term legislation is necessary to address the economic and social emergency that exists on America's family farms and ranches, and within small rural communities. It is in the vital and national security interest of the United States to preserve a stable, viable, and competitive food producing system. Such a food producing system is best maintained through a family farm and ranch structure, based on small business and individual entrepreneurship.**
   - In addition to food security, maintenance of a family farm structure provides numerous social, environmental, leadership development, quality of life, and other benefits to society which cannot be measured in pure economic terms
   - An effective national farm and food policy is no less necessary than Social Security, minimum wage law, worker protection law, or a national defense. Technology, productivity, and trade agreements have not eliminated the need for realistic farm programs, any more than the need for these other widely accepted forms of market intervention has been eliminated.

2. **To maintain such a food production system, a continuous national farm policy and international trade policy is required that recognizes the market realities of the fundamentally unique business of food and fiber production. Without such continuous policy, this nation will:**
   - Lose the family farm system of decentralized production, which has proven to be the most successful of agricultural systems, and is preferred by the vast majority of the general public.
   - Through agribusiness concentration, increasingly put domestic and export consumers at risk of food shortages, increasingly raise their concerns about food safety, and increasingly limit their food choices.
   - Force farmers and rural residents into a form of second-class citizenship in an otherwise healthy economy, and lose economic activity that may be needed in any economic downturn of the overall economy.
   - Cause rural regions to view themselves as separate and unequal economies, ignored or exploited by an outside economy.

3. **Farming is a fundamentally unique business worldwide that does not and cannot follow the typical supply and demand economics applicable to most businesses.**
   - The farm marketing system is the reverse of most businesses. Millions of farmers (manufacturers) sell to a very few "consumers" (large food processing and exporting companies). This is exactly opposite the usual marketing system, wherein an individual manufacturer or retailer sells to a large number of consumers. The system is best defined by the words "monopsony" and "oligopsony". This marketing system severely limits farmer's ability to negotiate profitable prices. ***Food industry consolidation sharply worsens this system. But the uniqueness of the farm marketing system is ingrained in agriculture, and will still exist if the number of farmers is reduced, or the number of buyers increased.***

- Individual farmers cannot predict or control their final annual output due to weather, and cannot individually impact total supply. Large fixed costs and living costs must be covered regardless of planting decisions. Final production and selling price is unknown at the single annual time a farmer must plant. Therefore, in the absence of policy incentives, an individual farmer must attempt to maximize total output regardless of current commodity price. This eliminates an individual farmers ability to manage inventories, as most non-farm businesses are able to do.
- When short-term crop surpluses occur, total farm output will not drop due to resulting low farm prices, unless very large geographic areas go completely out of production. Severe social and economic disruption in all farming regions, over a period of many years, will be required to force such areas out of production. If such areas go out of production due to low prices, they will not be available if short-term food shortages occur due to localized or international climate problems, or other unforeseen problems. Food production cannot increase rapidly in response to shortages, unlike manufactured items.
- Food is a daily necessity; therefore farmers must produce a surplus of food, because food shortages are intolerable.
- If excessive food surpluses occur, food demand will increase very little in response to low farm prices. This severely limits the ability of the market to self-adjust inventories in such situations.
- World food needs cannot be met by production from low cost food exporting nations only. On an average basis, all of the world's foods producing lands are required to feed the world. And unlike factories, the land cannot be moved to lower cost countries.
- The combination of these and other factors makes the production of food, trade in food, and the business of farming unique. National and international involvement in the marketplace is therefore necessary to allow farmers to prosper, and consumers to be protected.
- ***Recent and historical evidence confirms that any farm or agricultural trade policy that does not recognize these market realities is fundamentally flawed and will be ineffective, regardless of economic theory or Congressional intent.***

4. **Therefore, long-term, continuous legislation is necessary to allow family agriculture to prosper, and to allow consumers to be assured of a safe, reliable, and fairly priced food supply. The primary goal of such legislation should be to provide family agriculture the farm policy tools that allow it to participate in a competitive market economy and receive profitable prices, just as other non-farm businesses do.**
   - Current farm losses must not only be stopped, but profits must be foreseen. Young entrants must be attracted to production agriculture, with nearly two generations already lost.
   - Farmers must have the ability to receive profitable prices in times of adequate supply, not just years of supply shortage. Therefore, price-negotiating tools are required to allow profitable prices in times of adequate supply.
   - Farm policy that requires extremely tight supplies to achieve profitable farm prices will provide very rare profits to farmers. At the same time, without reserves, consumers are constantly at risk of food shortage. Inventory management tools are therefore required to protect farmers and consumers.
   - Farmers and ranchers, through their participation in a market economy, will use their labor, entrepreneurship, and natural resources to provide an economic base for rural communities. Profitable commodity prices can provide a tax base, an infrastructure, and economic activity that will attract non-farmers and non-farm businesses to rural communities because of quality of life issues.
   - Farm policy that promotes profitable farm prices in the marketplace frees federal funds for other uses, such as direct non-farm rural community development through infrastructure or local school improvements, small business loans, and homebuilding incentives.

This Bill will achieve these primary goals by providing the following advantages:

1. **Simplicity**
   - Price negotiating tools will be provided through a single simplified CCC price support loan. mechanism for each crop commodity. This will be the primary income support provided.
   - Producer confusion and program complexity is reduced.
   - Administrative expense and complication is reduced.
   - Promotes greater understanding of farm programs by the general public.

2. **Planting flexibility**
   - Total planting flexibility between crops is maintained.
   - Inventory management options are also flexible and voluntary.

3. **Supply stability and food safety.**
   - Domestic and export consumers are assured of reliable supplies, and insured against shortage.
   - Producers have inventory management tools that allow them to keep price depressing excess free stocks from building.
   - Promotes decentralized family agriculture system and increased food industry competition, reducing risk of disruptions in food supply due to unforeseen decisions or events.

4. **Market orientation**
   - Price support levels will be balanced between crops.
   - Producers will have the flexibility and incentive to plant crops based on market prices.
   - On average, most of farm income will come from the marketplace.
   - Gives producers the economic flexibility to meet customer demands that require extra producer expense or risk.

5. **Levels playing field for new agricultural trade negotiations.**
   - Support levels more closely approximate those levels provided to farmers by our industrialized trading partners, particularly the European Union.
   - This allows U.S. farmers to negotiate from a position of economic strength, rather than weakness.
   - New trade negotiations would emphasize shared production cuts and food reserves, and the uniqueness of agricultural production around the world.

6. **Reasonable and more predictable government costs.**
   - The goal of the program will be to encourage average farm prices to be at or above CCC loan levels in most marketing years.
   - Inventory management options provide the Secretary of Agriculture and individual farmers the tools to keep government costs at more predictable and more modest levels.

7. **Tools are available to encourage consumption, and maintain market share.**
   - Inventory management options guarantee reliable supplies and promote reduced price volatility to domestic and export customers. This will encourage stable growth in the processing, industrial, and feed use areas.
   - Farm prices could fall under very high stocks situations to encourage consumption. However, producer income would still be protected.
   - The likelihood of large acreage idling programs will be low, since price-depressing surpluses can be held off the market until needed in the future. It will not be necessary to reduce production after a single year of favorable weather. (Since the ups and downs of production will be buffered).

8. **Family sized crop production will be encouraged.**
   - Price support and inventory management tools will be limited to a maximum volume of production based on bushels or pounds. Production beyond these maximum volumes will be subject to increased market risk.
   - Profitable farm prices reduce the need to expand unnecessarily.
   - Profitable farm prices reduce the opportunity to expand through financially forced sales of cropland.

9. **Family sized livestock production will be encouraged.**
   - Grain prices that, on average, are above costs of production allow producers who grow at least a portion of their feed to be more competitive with mega-livestock facilities. These facilities now buy their feed at a lower price than the family producer can grow it, therefore giving them a competitive advantage over the diversified producer.
   - Language addressing market concentration and packer ownership of livestock will improve the ability of family producers to receive profitable prices.
   - A targeted livestock target price/deficiency system, if adopted after study, would put mega-facilities at greater market risk than the family sized producer.

10. **Agricultural market concentration would be addressed in a more effective manner.**
    - Limited resources now used to determine whether an obviously anti-competitive market does indeed exist could instead be used for enforcement once concentration triggers action at pre-determined levels.

11. **Non-Inflationary**
    - The formula for establishing annual crop price supports factors in long term productivity gains, offsetting inflation adjustments. Farmers are protected from high inflation, but consumers get full benefit of agricultural productivity gains due to technology and increased efficiency.
    - The retail All Food Index rises at the same general rate of inflation as the Consumer Price Index regardless of the fact that farm level prices have been stable to declining for 25 years. This confirms that farm level prices have little relationship to retail food prices.

OUTLINE OF BILL

1. **Price and income support will be provided to producers of wheat, feed-grains, soybeans, oilseeds, cotton and rice by means of a new CCC nonrecourse "market participation loan" only. No direct payments will be provided. Program signup required to be eligible for the loan or reserve.**
   - Loan periods will be for 9 months with an optional extension for an additional nine months.
   - No Loan Deficiency Payments will be made; the current LDP option will be eliminated.
   - The producer will be required to put grain under loan initially to take advantage of the program.
   - Loans may be repaid with marketing authorizations or cash, at principle plus interest. Marketing authorizations only could be used to pay back the loan at less than loan price, only at the discretion of the secretary.
   - Forfeiture will also be allowed at the end of the loan period.
   - A maximum level of production will be eligible for the loan, targeted at family sized farms.

2. **An "Agricultural Equity Formula" system for establishing price supports will be created. Crop loan rates will be based by formula on a percentage of the average gross income per acre received during the decade of the 1970s's, adjusted for inflation and current higher per/acre productivity. The 1970-79 period is widely recognized as the last generally prosperous period in modern U.S. agriculture.**
   - Initial loan rates will be based on approximately 75% of the adjusted average gross income per acre received by farmers during the years 1970 to 1979.
   - Loan rates thereafter will be adjusted to annual inflation and a rolling average of the past 4 year national average yield.
   - In addition, over a 5-year phase in period, loan rates will be adjusted upward until they reach 90% of the gross per acre income levels received in the 1970's.
   - Historical price ratios between crops (such as a corn/soybean price ratio of 2.4 to1) will also be maintained when establishing crop loan rates.
   - **See Addendums 1 and 2 for examples of formula loan rates and calculations.**

3. **A Farmer Owned Reserve (FOR) will be established.**
   - A multi-year reserve will be maintained for commodities covered by the loan program, to ensure consumer food security and adequate livestock feed supplies.
   - The reserve shall be open whenever ending stocks to use ratios reach predetermined trigger levels.
   - Entry will be capped at 30% of projected total annual use of each commodity. *In the 1988/89 crop year, drought reduced crop yield 20 to 30% nationwide in one year.*
   - Minimum reserve levels will be targeted at 10% of projected annual use, in years of adequate supply.
   - A release level will be established at 125% of the loan price to avoid pushing reserve stocks on the market in times of adequate supply.
   - Storage payments will be made annually in advance.

4. **The Secretary of Agriculture will have the discretionary authority to institute a short-term acreage idling program if necessary to provide a balance between actual demand and supply.**
   - Discretionary authority could not be used if the Farmer Owned Reserve is open, and projected ending stocks are less than 15 to 20 % of projected total usage (including reserve stocks). *Acreage idling requirements would be minimal in crop year 2001 under these criteria.*
   - Parcels idled by farmers will be set at minimum acreage levels designed to mitigate "slippage" (production cuts less than percent of acres idled).
   - A short-term flexible CRP should be considered.
   - A variable set-aside in exchange for higher loan rates would be an option.

5. **A Tillable Crop Acreage (TCA) base will be established for each producer, with full planting flexibility on the base. The TCA will consist of all acres normally cropped by a producer.**
   - Base for each producer established by recent planted acres for commodities covered by program (including alfalfa).
   - Producers will have full planting flexibility for program crops on their TCA, subject to any non crop specific acreage idling programs determined by the Secretary of Agriculture.

6. **A target price and deficiency payment system will be studied for livestock. Such a program could be automatic compensation for livestock producers damaged by non-competitive markets or unfair imports. Such a system could include:**
   - A national average target price for fat hogs, feeder calves, and fat cattle could be established.
   - Target price levels could be set by historical corn price/hog price and corn/steer price ratios as measured by USDA. Ratios would be then be tied to corn or feedgrain loan rates to determine annual target price levels.
   - Payment rates would be calculated in a similar manner to past target price programs for grains.
   - Producer payment could be = [Target Price] minus [National Average Market Year Price] x [Number of Head marketed per market year].
   - Payments would be limited to a number of head per producer, targeting family sized producers.
   - Incentive would be intact for producers to market at best possible price.
   - Producers beyond payment limits would take increased market risk.

7. **A maximum level of market concentration will be established for agribusiness companies doing business with farmers.**
   - Market concentration maximum will be consistent with economic theory of level causing market distortions.
   - Market concentration exceeding this established maximum would be cause for Federal Anti-trust action including denial of merger requests and possible divestiture by some industries to reestablish competitive markets.

8. **The U.S. negotiating position for agriculture at the World Trade Organization negotiations shall be redirected to emphasize:**
   - Shared production cuts by food exporting nations when world grain stocks become burdensome.
   - Shared international food reserves.
   - Market share agreements between food exporting nations.
   - The elimination of export dumping of agricultural goods.
   - The reduction of market distortions caused by monopolistic transnational grain trading and food processing companies.

ADDENDUM 1

An "Agricultural Equity Formula" system for setting price support levels will be established. Crop loan rates will be based by formula on the inflation adjusted gross income per acre (national average) farmers received from 1970-1979 (titled *Base Period Gross Income per Acre Constant*). The 1970-79 period is widely recognized as the last generally prosperous period in modern U.S. agriculture. Loan rates will be adjusted annually by indexing to annual inflation and a rolling average of the past 4 year national average yield. Over a 5-year phase in period, loan rates will be raised from 75% of the Base Period Gross Income target, to 90% of that target (3% per year).

- Base Period Gross Income per Acre Constant (BPGIAC) for each commodity = *(The 1970-79 Average Inflation Adjusted National Average Farm Price) x (The 1970-79 National Average Yield)* ****see addendum 2***
- Annually Determined Commodity Loan Rate = ***(BPGIAC) divided by (past 4 year National Average Yield) x (inflation adjustment) x (75% year 1), (78% year 2), (81%year 3), etc. to 90%.***
- Crop loan rates will therefore be adjusted each year to reflect the effects of inflation and crop productivity.
- Historical price ratios between crops (such as a corn/soybean price ratio of 2.4 to 1) will be considered when setting loan rates.

EXAMPLES OF CCC LOAN RATES USING AGRICULTURAL EQUITY FORMULA

CORN

BPGIAC = [1970-79 Inflation Adj. Avg. Price ($6.39/bu)] x [National Avg. Yield (89.6)] = **$573/acre**
2000 Loan Rate/Bu = [BPGIAC ($573.00)] divided by [1996-1999 Avg. Yield (130.7 bu./acre)]
x [Inflation factor (1.00 beginning year)] x [.75 year 1] = **$3.29/bu**
2001 Loan Rate/Bu = BPGIAC [($573.00)] divided by [1997-2000 Avg. Yield (132.0 bu/acre est.)]
x [Inflation factor (1.02 at 2% projected inflation rate)] x [.78] = **$3.45/bu**

Notes* U.S. Inflation Adjusted Average Target Price, marketing years 1980-84 **$4.54/bu**
European Union 1999 total price support (from Sen. Conrad's FITE bill) **$4.85/bu**

WHEAT

BPGIAC = [1970-79 Inflation Adj. Avg. Price ($8.40/bu)] x [National Avg. Yield (31.4)] = **$264/acre**
2000 Loan Rate/Bu = [BPGIAC ($264.000] divided by [1996-1999 Avg. Yield (40.4)]
x [Inflation factor (1.00 beginning year)] x [.75 year 1] = **$4.90/bu**
2001 Loan Rate/Bu = [BPGIAC ($264.00)] divided by [1997-2000 Avg. Yield (41 bu/acre est.)]
x [Inflation factor (1.02 at 2% projected inflation rate)] x [.78] = **$5.12/bu**

Notes* U.S. Inflation Adjusted Average Target Price, marketing years 1980-84 **$6.82/bu**
European Union 1999 total price support (EU yields much higher than U.S.) **$5.20/bu**

COTTON

BPGIAC = [1970-79 Inflation Adj. Avg. Price ($1.347/lb.)] x [National Avg.Yield (475lbs.)] = **$640/acre**
2000 Loan Rate/Bu = [BPGIAC ($640.00] divided by [1996-1999 Avg. Yield (649 lbs.acre)]
x [Inflation factor (1.00 beginning year)] x [.75 year 1] = **$.74/lb.**
2001 Loan Rate/Bu = [BPGIAC ($640.00)] divided by [1997-2000 Avg. Yield (629lbs./acre)]
x [Inflation factor (1.02 at 2% projected inflation rate)] x [.78] = **$.81/lb.**

Note* U.S. Inflation Adjustd Average Target Price, marketing years 1980-84 **=$1.21/lb**

ADDENDUM 2
INFLATION AND PRODUCTIVITY ADJUSTED FARM PRICES

CPI Inflation Factor	Market Year	Average U.S. Farm Price $/bu.	Inflation Adjusted U.S. Farm Price $/bu.	Average U.S Yield bu./acre	Inflation Adjusted Gross Income $/acre
			CORN		
4.13	1970/71	$1.33	$5.49	72.4	$398
4.00	1971/72	$1.08	$4.32	88.1	$381
3.86	1972/73	$1.57	$6.06	97.0	$588
3.53	1973/74	$2.55	$9.00	91.3	$822
3.16	1974/75	$3.02	$9.54	71.9	$686
2.95	1975/76	$2.54	$7.49	86.4	$647
2.81	1976/77	$2.15	$6.04	88.0	$532
2.62	1977/78	$2.02	$5.29	90.8	$481
2.40	1978/79	$2.25	$5.40	101.0	$545
2.12	1979/80	$2.48	$5.26	109.5	$576
AVERAGE	**1970-79**	**$2.10**	**$6.39**	**89.6**	**$573**
AVERAGE	**1996-99**			**130.7**	
1996-99 FARM PRICE REQUIRED TO EQUAL 1970'S GROSS INCOME PER ACRE:				**$4.38/BU.**	
1980-84 Inflation Adjusted Average Target Price				$4.54/bu.	
1999 European Union Total Price Support				$4.85/bu.	

CPI Inflation Factor	Market Year	Average U.S. Farm Price $/bu.	Inflation Adjusted U.S. Farm Price $/bu.	Average U.S Yield bu./acre	Inflation Adjusted Gross Income $/acre
			WHEAT		
4.13	1970/71	$1.33	$5.49	31.0	$170
4.00	1971/72	$1.34	$5.36	33.9	$182
3.86	1972/73	$1.76	$6.79	32.7	$222
3.53	1973/74	$3.95	$13.94	31.6	$441
3.16	1974/75	$4.09	$12.92	27.3	$353
2.95	1975/76	$3.56	$10.50	30.6	$321
2.81	1976/77	$2.73	$7.67	30.3	$232
2.62	1977/78	$2.33	$6.10	30.7	$187
2.40	1978/79	$2.98	$7.15	31.4	$225
2.12	1979/80	$3.80	$8.06	34.2	$276
AVERAGE	**1970-79**	**$2.79**	**$8.40**	**31.4**	**$264**
AVERAGE	**1996-99**			**40.4**	
1996-99 FARM PRICE REQUIRED TO EQUAL 1970'S GROSS INCOME PER ACRE:				**$6.53/BU.**	
1980-84 Inflation Adjusted Average Target Price				$6.82/bu.	
1999 European Union Total Price Support				$5.20/bu.	

SOYBEANS

CPI Inflation Factor	Market Year	Average U.S. Farm Price $/bu.	Inflation Adjusted U.S. Farm Price $/bu.	Average U.S Yield bu./acre	Inflation Adjusted Gross Income $/acre
4.13	1970/71	$2.85	$11.77	26.7	$314
4.00	1971/72	$3.03	$12.12	27.5	$333
3.86	1972/73	$4.37	$16.87	27.8	$469
3.53	1973/74	$5.68	$20.05	27.8	$557
3.16	1974/75	$6.64	$20.98	23.7	$497
2.95	1975/76	$4.92	$14.51	28.9	$419
2.81	1976/77	$6.81	$19.14	26.1	$499
2.62	1977/78	$5.88	$15.41	30.6	$471
2.40	1978/79	$6.66	$15.98	29.4	$470
2.12	1979/80	$6.28	$13.31	32.1	$427
AVERAGE	**1970-79**	**$5.31**	**$16.01**	**28.1**	**$449**
AVERAGE	**1996-99**			**38**	

1996-99 FARM PRICE REQUIRED TO EQUAL 1970'S GROSS INCOME PER ACRE: **$11.81/BU**

COTTON

CPI Inflation Factor	Market Year	Average U.S. Farm Price cts/lb.	Inflation Adjusted U.S. Farm Price cts/lb	Average U.S Yield Lb./acre	Inflation Adjusted Gross Income $/acre
4.13	1970/71	22.9	94.6	438	$414
4.00	1971/72	28.2	112.8	438	$494
3.86	1972/73	27.3	105.4	507	$534
3.53	1973/74	44.6	157.4	520	$819
3.16	1974/75	42.9	135.6	442	$599
2.95	1975/76	51.3	151.3	453	$686
2.81	1976/77	64.1	180.1	465	$838
2.62	1977/78	52.3	137.0	520	$713
2.40	1978/79	58.4	140.2	420	$589
2.12	1979/80	62.5	132.5	547	$725
AVERAGE	**1970-79**	**45.5**	**134.7**	**475.0**	**$640**
AVERAGE	**1996-99**			**649**	

1996-99 FARM PRICE REQUIRED TO EQUAL 1970'S GROSS INCOME PER ACRE: **98.6 cts/lb**

RICE

CPI Inflation Factor	Market Year	Average U.S. Farm Price $/cwt.	Inflation Adjusted U.S. Farm Price $/cwt.	Average U.S Yield lbs./acre	Inflation Adjusted Gross Income $/acre
4.13	1970/71	$5.41	$22.34	4,617	$1,032
4.00	1971/72	$5.62	$22.48	4,719	$1,061
3.86	1972/73	$7.20	$27.79	4,697	$1,305
3.53	1973/74	$15.30	$54.01	4,276	$2,309
3.16	1974/75	$11.40	$36.02	4,440	$1,599
2.95	1975/76	$8.35	$24.63	4,558	$1,123
2.81	1976/77	$7.02	$19.73	4,663	$920
2.62	1977/78	$9.49	$24.86	4,412	$1,097
2.40	1978/79	$8.16	$19.58	4,484	$878
2.12	1979/80	$10.50	$22.26	4,599	$1,024
AVERAGE	**1970-79**	**$8.85**	**$27.37**	**4,547**	**$1,244**
AVERAGE	**1996-99**			**5,904**	
1996-99 FARM PRICE REQUIRED TO EQUAL 1970'S GROSS INCOME PER ACRE:				**$21.07/cwt**	

SOURCE OF ALL DATA:

1. *ERS-USDA SUPPLY AND UTILIZATION TABLES*
2. *BUREAU OF LABOR STATISTICS: CONSUMER PRICE INDEX-ALL URBAN CONSUMERS*
3. *EU SUPPORT LEVELS FROM SENATOR KENT CONRAD'S 1999 FARM BILL PROPOSAL "THE FARM INCOME AND TRADE EQUITY ACT OF 1999"*

NOTES

1. *MARKET VALUE ONLY INCLUDED TO DETERMINE GROSS INCOME /ACRE. DEFICIENCY PAYMENTS RECEIVED IN SOME YEARS WERE SIGNIFICANT.*
2. *INFLATION ADJUSTMENTS TO JAN/1999 = 1.00*

Prepared by John M. Dittrich, Policy Analyst, American Corn Growers Association 12/99

KEY INDICATORS OF THE U.S. FARM SECTOR
A 25 YEAR HISTORY WITH INFLATION ADJUSTMENTS
DECEMBER 2000

BACKGROUND AND KEY OBSERVATIONS OF FOLLOWING TABLE

1. **Background**
   - *This table was compiled to give a summarized history of important and interconnected statistics affecting U.S. farmers. All major storable commodities are included. Inflation adjustments to current dollars are used to illustrate the affects of inflation on farm programs, farm prices, and farm income. It is hoped that this table will be informative and helpful in farm policy analysis and debate.*
   - *Government payments per acre (planted acre) were calculated from USDA data on deficiency payments, market loss payments (difference between CCC loan rate and market price), and market transition payments.*
   - *The summarized data was calculated from the averages of individual year data compiled for each year of the 25-year period covered.*

2. **Price Support Loans and Farm Prices**
   - *Real CCC loan rates and prices supports have dropped dramatically through the period.*
   - *Real farm prices have dropped in a similar manner.*

3. **Export Volume**
   - *Export volume, though erratic from year to year, has on average remained static throughout the period. During this time, numerous combinations of price support policy, trade policy, currency valuations, and world political situations have existed.*

4. **Domestic Use**
   - *Domestic use has risen steadily throughout the period.*
   - *Trade balance figures would suggest that this increase has not been due to larger exports of value added products containing raw commodities.*

5. **Total Use**
   - *Total use is now at a record high, and did not decline during the peak of the Asian crisis, with the exception of cotton.*

6. **Ending Stocks**
   - *Ending stocks to total use ratios are tight to modest by historical standards. However, farm prices continue to be extremely low.*

7. **Yields**
   - *Steadily increasing yields have not offset lower real farm prices.*

KEY INDICATORS OF THE U.S. FARM SECTOR

A 25 YEAR HISTORY WITH INFLATION ADJUSTMENTS, December 2000

Period (Yearly Average)	Price Support Loan Rate $/bu.	Inflation Adjusted Price Sup. Loan Rate $/bu.	Export Volume Billion bushels	Domestic Use Billion bushels	Total Use Billion bushels	Ending Stocks % of Use	Inflation Adjusted Government Payment $/acre	Average U.S. Farm Price $/bu.	Inflation Adjusted U.S. Farm Price $/bu.	Average U.S Yield bu./acre	Inflation Adjusted Gross Income $/acre
CORN											
1975-79	$1.74	$4.39	1.9	4.5	6.4	21	$1.00	$2.30	$5.91	95	$562
1980-84	$2.54	$4.31	2.0	5.1	7.1	29	$20.00	$2.83	$4.83	100	$503
1985-89	$1.94	$2.76	1.8	5.6	7.4	46	$110.00	$2.11	$2.97	112	$443
1990-95*	$1.73	$1.99	1.8	6.5	8.3	16	$60.00	$2.45	$2.80	119	$393
1996-2000*	$1.89	$1.91	1.9	7.4	9.3	16	$58.00	$2.16	$2.19	132	$347
2000 proj.	$1.89	$1.89	2.3	7.8	10.1	17	$68.00	$1.90	$1.90	138	$330
WHEAT											
1975-79	$2.14	$5.44	1.2	0.8	2.0	49	$18.00	$3.10	$7.94	31	$264
1980-84	$3.46	$5.88	1.5	1.0	2.5	52	$28.00	$3.61	$6.15	37	$256
1985-89	$2.45	$3.48	1.2	1.1	2.3	56	$61.00	$3.10	$4.34	35	$213
1990-95*	$2.33	$2.63	1.2	1.2	2.4	23	$37.00	$3.35	$3.82	37	$178
1996-2000*	$2.58	$2.61	1.0	1.3	2.3	35	$35.00	$3.08	$3.13	41	$163
2000 proj.	$2.58	$2.58	1.1	1.3	2.4	42	$41.00	$2.60	$2.60	42	$150
SOYBEANS											
1975-79	$3.45	$8.63	0.7	1.0	1.7	12	$0.00	$6.11	$15.67	29	$454
1980-84	$5.02	$8.54	0.8	1.1	1.9	15	$0.00	$6.60	$11.27	29	$327
1985-89	$4.77	$6.74	0.7	1.2	1.9	18	$0.00	$5.76	$8.09	32	$259
1990-95*	$4.90	$5.62	0.7	1.4	2.1	16	$0.00	$5.93	$6.80	36	$245
1996-2000*	$5.20	$5.26	0.9	1.7	2.6	11	$13.00	$5.63	$5.72	38	$230
2000 proj.	$5.26	$5.26	1	1.8	2.8	13	$27.00	$4.70	$4.70	38	$206

U.S. AGRICULTURAL TRADE BALANCE
(FY's corresponding to marketing years)

	Nominal	Inflat. Adj.
1975-79	$15.1 bill.	$37.6 bill.
1980-84	$19.8 bill.	$34.2 bill.
1985-89	$12.5 bill.	$17.3 bill.
1990-95	$20.1 bill.	$22.8 bill.
1996-2000	$15.4 bill.	$15.7 bill
2000 proj.	$12.0 bill.	$12.0 bill.

NOTES: 1. Source of all data: ERS-USDA, FSA-USDA, and Bureau of Labor Statistics.
2. Each average annual period begins with passage year of new farm bill (except 1977 bill).
3. Averages calculated from data for 25 individual years.
4. Inflation adjustments made to Jan. 1999 Consumer Price Index-All Urban Consumers. 1999 and 2000 crop years are therefore not adjusted for ongoing inflation after 1/1999

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KEY INDICATORS OF THE U.S. FARM SECTOR

A 25 YEAR HISTORY WITH INFLATION ADJUSTMENTS, December 2000

Period (Yearly Average)	Price Support Loan Rate cts/lb.	Inflation Adjusted Price Sup. Loan Rate cts/lb.	Export Volume Million Bales	Domestic Use Million Bales	Total Use Million Bales	Ending Stocks % of Use	Inflation Adjusted Government Payment $/acre	Average U.S. Farm Price cts/lb.	Inflation Adjusted U.S. Farm Price cts/lb.	Average U.S Yield lbs./acre	Inflation Adjusted Gross Income $/acre
					COTTON						
	upland	upland	all	all	all	all	upland	all	all	all	all
1975-79	42.4	107.7	5.8	6.7	12.5	31	$0	57.7	148.2	481	$713
1980-84	53.5	90.6	6.1	5.6	11.8	42	$115	62.1	106.0	529	$676
1985-89*	53.3	75.3	5.8	7.6	13.4	51	$175	59.2	83.1	624	$693
1990-95*	51.3	58.8	7.3	10.1	17.4	19	$76	64.3	73.5	640	$546
1996-2000*	51.9	52.5	6.6	10.6	17.2	22	$80	58.7	59.5	646	$464
2000 proj.	51.9	51.9	7.6	10.0	17.6	22	$88	53.0	53.0	622	$418

Period (Yearly Average)	Price Support Loan Rate $/cwt	Inflation Adjusted Price Sup. Loan Rate $/cwt	Export Volume Million cwt.	Domestic Use Million cwt.	Total Use Million cwt.	Ending Stocks % of Use	Inflation Adjusted Government Payment $/acre	Average U.S. Farm Price $/ctw.	Inflation Adjusted U.S. Farm Price $/cwt	Average U.S Yield lb./acre	Inflation Adjusted Gross Income $/acre
					RICE						
			rough equiv.	rough equiv.	rough equiv.						
1975-79	$6.82	$17.70	70.6	47.4	118.0	28	$61	$8.70	$22.21	4,543	$1,070
1980-84	$7.88	$13.36	74.9	62.2	137.2	38	$147	$9.27	$15.95	4,699	$896
1985-89*	$7.03	$9.95	75.6	77.7	153.3	30	$417	$6.35	$8.89	5,577	$913
1990-95*	$6.50	$7.45	78.9	97.8	176.7	17	$250	$7.35	$8.39	5,663	$725
1996-2000*	$6.50	$6.58	83.6	112.3	195.9	14	$212	$8.11	$8.23	5,958	$702
2000 proj.	$6.50	$6.50	80.0	122.9	202.9	14	$282	$6.00	$6.00	6,236	$656

** Marketing loan implemented, reducing the historical market price support mechanism of the CCC nonrecourse loan. LDP option implemented with 1996 Farm Bill.*

NOTES: 1. Emergency legislation payments for crop years 1998, 1999, and 2000 are included. These payments increased 1996 to 2000 average payments by approximately: corn by $18/acre, wheat by $11/acre, soybeans by $2.00/acre, cotton by $23/acre, and rice by $66/acre.

2. 2000 crop cotton average price from August/October 2000 average price quoted by FSA-USDA.

American Corn Growers Association

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March 19, 2001

Mr. Bruce Knight
Vice President, Public Policy
National Corn Growers Association
122 C Street, N.W., Suite 510
Washington, DC 20001

Dear Mr. Knight,

Please accept my congratulations to you and the National Corn Growers for being chosen to represent America's corn producers at the upcoming House Agriculture Committee hearing on the next farm bill. This honor, as we both know, also comes with a great responsibility to represent all of America's corn producers whether they are members of NCGA, ACGA or neither.

The goal of Chairman Combest is to hear how "Specifics and consensus from producer organizations can provide House Agriculture Committee Members with proposed plans for farm commodity programs this year." Given that his goal includes and requires reaching a consensus and the fact that your esteemed organization has been chosen as the solitary voice for all of America's corn farmers, I extend to you the request to identify leadership, members and/or staff from our two organizations, determine a time and place to meet, and determine how we can come together with a consensus for the Chairman.

We are under no illusion that the two organizations will agree on all issues, but I feel it is our duty to identify which issues we do agree upon and it is your duty to convey those mutual points of agreement in your testimony.

The American Corn Growers Association stand ready, willing and able to work with you on the very important endeavor. Time is critical as it is my understanding that your written testimony is due to the committee on March 26, one week from today.

Sincerely,

Larry Mitchell
Chief Executive Officer
American Corn Growers Association